GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1421
ANSWERED ON:08.03.2002
LOANS BY PS BANKS
ADHIR RANJAN CHOWDHURY;SHYAMA SINGH

Will the Minister of FINANCE be pleased to state:

(a) whether the RBI has taken a tough decision on evergreening of loans by banks and financial institutions;

(b) if so, the details of guidelines issued to various banks and financial institutions in this regard;

(c) whether the various public sector banks and financial institutions are flouting the guidelines of the RBI and are sanctioning loans;

(d) if so, the details thereof; and

(e) the other steps the Government propose to take in this regard ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a)&(b): Yes, Sir. Reserve Bank of India (RBI) has reported that in pursuance of therecommendation of the Committee on Banking Sector Reforms (Narasimham Committee), the Bank haveadvised all commercial banks in October, 1998 reiterating that they should adhere to the prudential norms on asset classification, provisioning etc. and avoid the practice of ever greening i.e. making fresh advances to their troubled constituents only with a view to settling interest dues and avoiding classification of the loans in question as NPAs. RBI has further advised that the account of the borrower can be treated as standard only if the account is regularised before the balance sheet date by repayment of overdue amounts through genuine source of income and not by sanction of additional facility or transfer of funds between the accounts.

(c),(d)&(e): Banks are generally following the guidelines of RBI.In case any instance of non-adherence to guidelines comes to notice, banks and financial institutions are advised by RBI to correct the position immediately.